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DAN E. ARNETT  
CHIEF OF STAFF

177801  
177800

February 6, 2006

Mr. Charles L.A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Center Dr., Suite 100  
Columbia, SC 29210

Re: Request for Extended Calling Area in York County  
**PSC Docket No. 2005-241-C**

RECEIVED  
2006 FEB -6 PM 4:40  
SC PUBLIC SERVICE  
COMMISSION

Dear Mr. Terreni:

The Commission, in Order 2005-463, requested ORS to conduct an investigation into the reasonableness of establishing an extended calling area York County. ORS has completed its investigation and has attached its findings.

Enclosed, please find the original plus ten copies of the redacted report and a Motion Requesting that Materials be Treated as Confidential. Additionally, in a separate envelope, ORS is submitting the original and ten copies of the complete, unredacted report which contains the information ORS requests to be filed under seal. Please date stamp the extra copy provided of each filing and return them with our courier.

Thank you for your assistance. Please let me know if you have any questions or if I can be of any further assistance.

Sincerely,

Benjamin P. Mustian

Enclosures

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2005-241-C**

February 6, 2006

RECEIVED  
2006 FEB - 6 PM 4:40  
SC PUBLIC SERVICE  
COMMISSION

IN RE:	Request for Extended Area Service in York County	)	)	REPORT OF THE OFFICE OF REGULATORY STAFF
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**BACKGROUND**

On July 21, 2005, the Public Service Commission of South Carolina ("the Commission") received a letter from Representative Herb Kirsh regarding a pending application of Rock Hill Telephone Company, Lancaster Telephone Company, and Fort Mill Telephone Company all d/b/a Comporium Communications for an Alternative Regulation Plan (Docket No. 2005-203-C). The letter requested that, in addition to Comporium's application, the Commission also consider implementing countywide calling in York County. In response to Representative Kirsh's letter, on August 31, 2005, the Commission forwarded the request to the Office of Regulatory Staff ("ORS") and issued Order No. 2005-463 which established Docket No. 2005-241-C. Specifically, the Commission's Directive required ORS to "study the costs of Countywide Toll-Free Calling in York County and available alternatives." Also, the Order requested that ORS provide recommendations concerning the disposition of this matter.

In response to the Commission, ORS requested cost information and community of interest information from the incumbent local exchange carriers serving York County: Fort Mill Telephone Company, Rock Hill Telephone Company, and BellSouth Telecommunications, Inc.

Information was also requested from competitive local exchange carriers advertising the availability of their local services in BellSouth's local telephone directory and from the interexchange (long distance) carriers serving York County.

## **INTRODUCTION**

The cost of providing EAS is primarily comprised of two components. One component includes revenue losses associated with the replacement of usage sensitive services with non-usage extended area services. In addition, when the usage sensitive service is replaced with a non-usage sensitive service, calling between the two points is stimulated. The second component includes costs associated with installation of required enhancements to the existing network facilities such as trunks due to the additional calling volume. In some cases, as in the York County, new local network facilities may need to be added.

Through examination of utility maps on file at ORS and tariffs on file with the Commission, ORS was able to compile information concerning the current dialing scope for those exchanges serving York County and the additional exchanges required to provide countywide calling. ORS's investigation, however, found several instances of telecommunications carriers located in other counties served through wire centers which primarily serve the exchanges in York County. For example, the Rock Hill exchange serves areas of Chester County and the Fort Mill exchange serves areas of Lancaster County. Similarly, with regard to BellSouth's service area, the Clover exchange serves areas within North Carolina, and portions of the Hickory Grove exchange serve a portion of Cherokee County. In contrast, there are areas within York County which are served by exchanges outside York County. For example, a small southwest portion of the county is served by Chester Telephone and Lockhart

Telephone Companies. Also, according to BellSouth's tariff, customers in the Mill Creek area of York County are served through BellSouth's Gastonia, North Carolina exchange. Additionally, maps obtained from a BellSouth publication titled South Carolina Telecommunications Infrastructure provides a fairly accurate depiction of York County and the neighboring exchanges are served. A copy of the York County Map and neighboring counties are attached to the report to illustrate various serving areas. See Attachment 1.

#### Fort Mill Telephone Company

Exchange	Exchange(s) Comprising Current Calling Scope	Additional Exchange(s) to Provide Countywide Calling
Fort Mill	Rock Hill	Clover Hickory Grove Lake Wylie Lake Wylie West Sharon York

#### Rock Hill Telephone Company

Exchange	Exchange(s) Comprising Current Calling Scope	Additional Exchange(s) to Provide Countywide Calling
Rock Hill	Fort Mill Fort Lawn (Lancaster Telephone) York	Clover Hickory Grove  Lake Wylie Lake Wylie West Sharon

BellSouth  
Telecommunications, Inc.

Exchange	Exchange(s) Comprising Current Calling Scope	Additional Exchange(s) to Provide Countywide Calling
Clover	Lake Wylie Lake Wylie West York Gastonia, NC South Crowders Creek, NC	Hickory Grove Sharon Fort Mill Rock Hill
Hickory Grove	Blackburg Sharon York	Clover Lake Wylie Lake Wylie West Fort Mill Rock Hill
Lake Wylie	Clover Lake Wylie West York Gastonia, NC South Crowder Creek, NC	Hickory Grove Sharon Fort Mill Rock Hill
Lake Wylie West	Clover Lake Wylie Lake Wylie West York Gastonia, NC South Crowder Creek, NC	Hickory Grove Sharon Fort Mill Rock Hill
Sharon	Hickory Grove York	Clover Lake Wylie Lake Wylie West Fort Mill Rock Hill
York	Clover Hickory Grove Lake Wylie Lake Wylie West Rock Hill Sharon South Crowder Creek, NC	Fort Mill

Information concerning Communities of Interest and Cost was requested from the Fort Mill Telephone Company, Rock Hill Telephone Company, (“Comporium Companies”) and BellSouth Telecommunications, Inc. While the companies provided comments concerning the provision of countywide toll free calling within York County, preliminary comments indicated that the provision of countywide toll free calling service would impact other carriers and, in order to make a more accurate analysis available, that information needed to be obtained from other long distance (interexchange) and local exchange carriers operating in York County. In compiling this information, ORS utilized a listing of local service providers advertising the availability of its service in BellSouth’s York Directory and a listing of interexchange carriers reported to ORS by the incumbent local exchange carriers in the context of an update of this year’s Interim LEC Fund.

#### **BELLSOUTH TELECOMMUNICATIONS, INC.**

BellSouth Telecommunications, Inc. submitted its response to ORS’s information request on October 24, 2005, which solely addressed countywide local calling. In other words, no route specific information was provided. BellSouth reported that it estimates an annual revenue loss of \$320,910 if countywide calling is implemented. These revenue losses are associated with customer conversion from Area Plus Services, other optional calling services, and message toll service and access revenue losses associated with calls no longer being handled by long distance carriers. Currently, BellSouth serves approximately 43,980 flat rate business and residential access lines in York County which would be impacted by the application of countywide calling. In addition, the Company expects, based on historical experience, approximately 570 of its Area Plus residence customer would return to flat rate residence service. In order for BellSouth to be

made revenue whole, the company calculated an increase of \$0.60 per access line/month. [Calculation: \$320,910 divided by the BellSouth's total access lines 44,550 (43,980+570) divided by 12 months]

BellSouth indicates that average toll usage for all of its access lines in York County is approximately 0.48 minutes per access line per month. BellSouth stated that in the past, where BellSouth was sole provider of services, this low level of minutes of use would be indicative of an extremely low community of interest and that, today, multiple carriers are providing alternative services to consumers.

In addition, BellSouth indicated that consumers have multiple choices today with regard to completing a call within York County. Consumers can use optional calling plans or other carriers, such as wireless, wire line, cable and VoIP carriers. BellSouth also offers its customers various optional calling services which are local and toll type plans and can be selected based on a customer's interest. The following listing provides example of the various plans available to consumers through BellSouth or its long distance affiliate.

Flat Plans:	
	Residence Area Plus Service (local + unlimited intraLATA toll calls)
	Business Plus Service – Option 1 (local + unlimited intraLATA toll calls)
	Business Plus Service – Option 2 (local & reduced rate for intraLATA toll calls)
Toll Plans:	
	Residence Easy Calling (intraLATA toll plan)
	Residence and Business Saver Service – Discount Plan (intraLATA toll discount)
	Residence and Business Saver Service – Budgeting Plan (intraLATA toll block of time)
	Residence Custom Rate Plan (intraLATA toll Plan)
	BellSouth Long Distance Toll Plans:
	Nickel Plan ( intraLATA and interLATA)
	Unlimited Plan (intraLATA and interLATA)

BellSouth further stated that consumers are migrating from unlimited calling plans with limited calling scopes. BellSouth indicated, as a percent of access lines, the demand for local calling plans has dropped from 14% to 9% and that subscriptions to unlimited local and long distance bundled plans are growing and such plans are preferred by consumers because of the simplicity of these plans.

In closing, BellSouth shared discussions and reasons why it felt the expansion of the toll free countywide calling in York County is not needed. Based on its experience, BellSouth stated that many consumers would not be in favor of paying additional monthly fees for expanded countywide calling and thus, it would be inappropriate to undergo the considerable expense of balloting the county residents. A copy of BellSouth response to ORS is attached to this report. Attachment 2.

### **COMPORIUM COMMUNICATIONS COMPANIES**

The Comporium companies filed a response on behalf of Rock Hill Telephone Company, Fort Mill Telephone, and Community Long Distance on October 7, 2005, which was subsequently updated on January 30, 2006. The report indicates Comporium provided an estimate annual cost of \$549,000 to provide countywide toll free calling in York County. This estimate was qualified in that the Company stated that in order to implement the proposed countywide calling scheme, coordinated studies with BellSouth and other carriers (CLECs and IXC's) serving York County would be required. The coordination with other carriers is needed to finalize the cost of adding additional trunks and facilities which Rock Hill Telephone Company and Fort Mill Telephone Company would need to handle the traffic shifted from interexchange



carrier's networks to local facilities. Due to the inability to coordinate such a study, this information is unavailable at this time.

As previously indicated, the costs associated with expanding the local calling areas is comprised of loss of revenues and costs associated with deploying additional local network facilities to handle the traffic which was previously carried over interexchange carrier networks. Of the latest \$549,000 cost estimated by Comporium, \$200,000 was due to revenue losses expected by Community Long Distance ("CLD") and the absence of a specific mechanism for CLD to recover its losses. The remaining amount, \$349,000, was direct cost associated with Rock Hill Telephone Company and Fort Mill Telephone Companies. Included in this amount was an annual cost of \$24,000 by Rock Hill Telephone Company to maintain and administer a required database to identify specific customers which were residents of York County. This database would be used to define customers as residents of York County, who would not be charged for calls which would normally incur toll charges. Also, Rock Hill Telephone Company and Fort Mill Telephone Company estimated a non-recurring cost of \$92,134 associated with the establishment of a similar database.

In addition to the cost associated with building the database, Fort Mill Telephone Company and Rock Hill Telephone reported they will experience costs with respect to upgrading their telecommunications networks and loss of revenues. For Fort Mill Telephone Company, the company provided an estimated cost of \$176,000 related to these expenses. If these costs are spread over those Fort Mill Telephone customers solely located in York County, the additional monthly cost would be \$0.86 per month. Similarly, Rock Hill Telephone Company provided an estimated cost of \$174,000. If this cost is solely recovered from the Rock Hill, York County customer, the additional monthly amount would be \$0.26 per month.

Similar to BellSouth, the Comporium companies have attempted to be responsive to consumer demand or competitive pressures of the market. The companies offer a number of calling plans to consumers. These plans include flat rate plans and usage sensitive plans. A listing of those plans follow.

Flat Plans:	
	Two way extended area service (EAS) arrangements exist between Rock Hill and Fort Mill and between York and Rock Hill.
	Residence Area Calling Plan Option 2 (local + unlimited intraLATA toll calls)
	Residence Unlimited Plan (Offered with long distance plan to provide nationwide calling)
Usage-Based Plans:	
	Residence Area Calling Plan – Option 1 (local + reduced rate for intraLATA toll calls)
	Residence Area Calling Plan – Option 3 (local + 20% reduced rate for intrastate intraLATA toll calls)
	Residence Area Calling Plan – Option 4 (local + 50% reduced rate for intrastate intraLATA toll calls)
	Business Area Calling Plan – Option 1 – (local + reduced rate for intraLATA toll calls)
	Business Area Calling Plan – Option 3 – (local + 20% reduced rate for intrastate intraLATA toll calls)
	Business Area Calling Plan – Option 4 – (local + 25% reduced rate for intrastate intraLATA toll calls)
Comporium Long Distance Toll Plans:	
	Residence Unlimited Plan (Intrastate and Interstate at one flat rate)
	Residence Easy Talk Plans (Block of Time Intrastate and Interstate calling)
	Residence Better Plan ( Flat Rate + Reduced minutes of use charges)
	Residence Simple Advantage (Minute of use charge for 35 mile radius). This plan has no minimum charge for low usage subscribers.
	Business Advantage Plans ( Rate vary based on term length)

Summarizing, the Comporium companies indicate that few customers would benefit from countywide calling and those costs associated with the implementation of countywide calling would be spread across the entire base of subscribers. Comporium Communications stated that it “does not believe that countywide calling is practical or warranted”. In the information provided to ORS, the Comporium companies outlined a number of reasons for this conclusion. A copy of the Comporium companies’ response is attached as Attachment 3. (Note: A portion of the Comporium response is considered confidential because it contains labor rates of a vendor associated with the development of the previously discussed database.)

### **CLECs AND IXCs**

As indicated earlier, ORS requested similar information from competitive local exchange carriers and interexchange (long distance) carriers. The level of responses varied significantly. For the most part, if the competitive wire line carriers provided specific information, then the carriers requested that the information be handled as proprietary which restricted the ability to utilize the information to determine call volumes. Some carriers indicated that the York County calling proposal would have no impact or a nominal impact on their companies because their company did not provide local exchange service; however, the companies may have also provided long distance services in York County which, as a result, would be impacted. Some carriers reported information concerning the number of customers located in York County and the revenue impact on their companies. With the exception of Community Long Distance, no other carrier provided route specific information (i.e., communities of interest, call volume, and minutes of use from Clover to Rock Hill or Fort Mill to Hickory was not provided). Those companies providing specific information only provided it on an aggregated basis. ORS was

hopeful that if such information was provided, a true cost and community of interest for calling within York County could be developed. In one response, the reporting carrier indicated that the provision of the requested would be extremely costly because of specialized programming which would be needed to extract data from billing information.

### **ORS RECOMMENDATION**

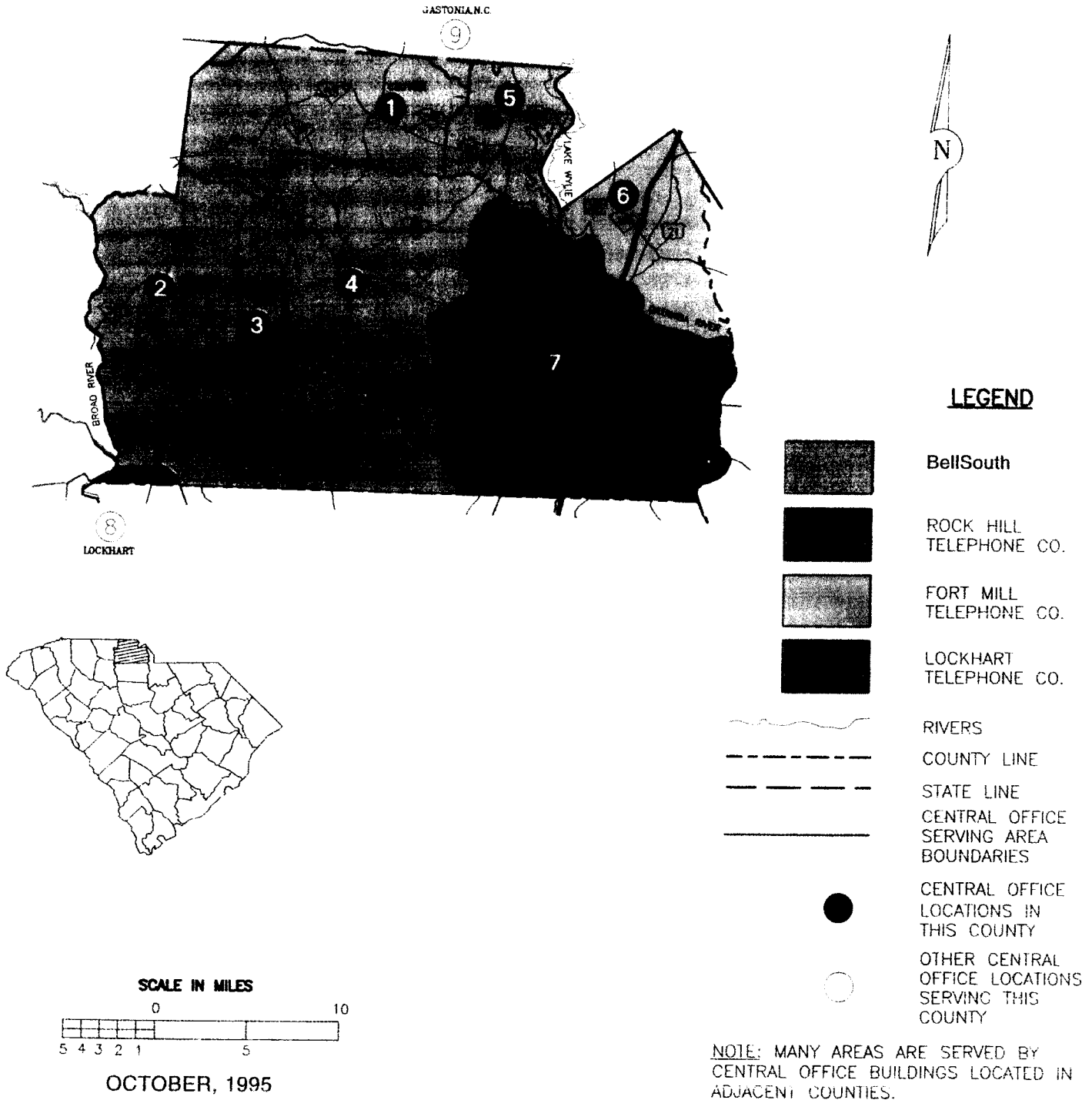
In conducting this review, ORS has learned that the reviews of countywide calling plans are very complex. The establishment of a countywide calling plan has varying degrees of impact on the various carriers participating in a competitive market. While the incumbent local exchange companies have provided some cost information, ORS does not believe these reports accurately capture all costs associated with the implementation of such a plan. Currently, because customers are grouped by wire center (the service areas of which often do not follow county borders) and not their physical address, carriers are not equipped to make an accurate determination of in-county call volumes. Additionally, when a call is handed off to an interexchange (long distance) carrier, the local carrier is unaware of whether that call is routed within or without the county. Therefore, absent a concerted coordination among all carriers in York County, ORS believes any revenue losses cannot be accurately relied upon. As to the second component of a cost study, as the carriers are unaware of call volumes among and between carriers in the County, the necessity for upgrading existing and adding additional facilities, such as trunks, is questionable. In addition, there may be impacts on consumers which were not specifically shared by carriers in their responses. As such, ORS cannot conclusively state that the incumbent carrier's responses contain an accurate final cost and, therefore, any balloting required by the Commission would be based upon incorrect information.

ORS recommends that the Commission request additional information before taking action on this matter. Considering this may be the first case before the Commission addressing countywide calling, ORS recommends that the Commission set this matter for hearing in order for the applicable carriers in York County to present evidence on the costs associated with implementing this type of plan. Such a hearing would afford the Commission additional information and would allow the parties the ability to fully explore all ramifications.

# **EXHIBIT 1**

# TELECOMMUNICATIONS

## INFRASTRUCTURE

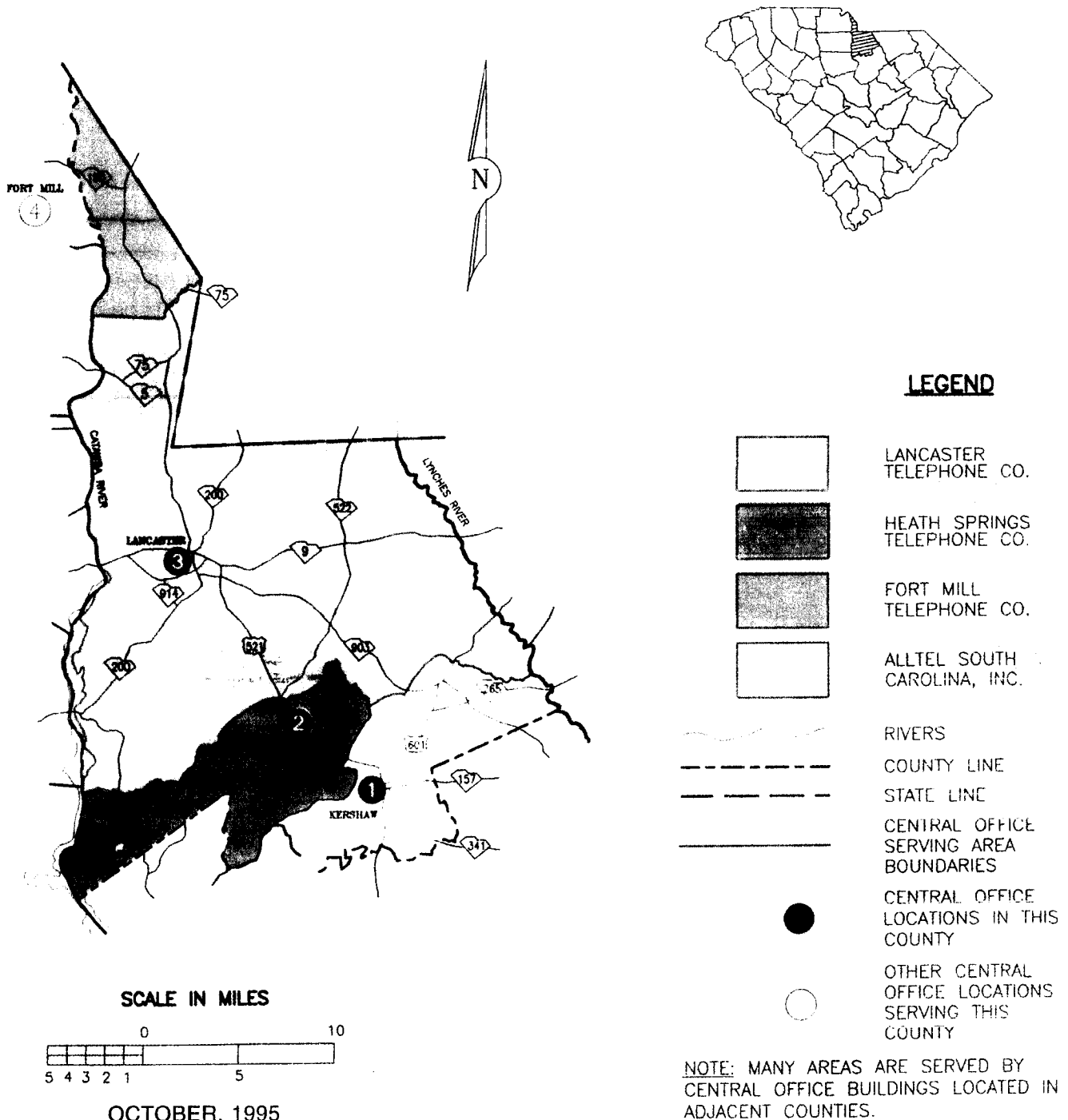


## TELEPHONE SWITCHING NETWORK

## YORK COUNTY, SOUTH CAROLINA

# TELECOMMUNICATIONS

## INFRASTRUCTURE



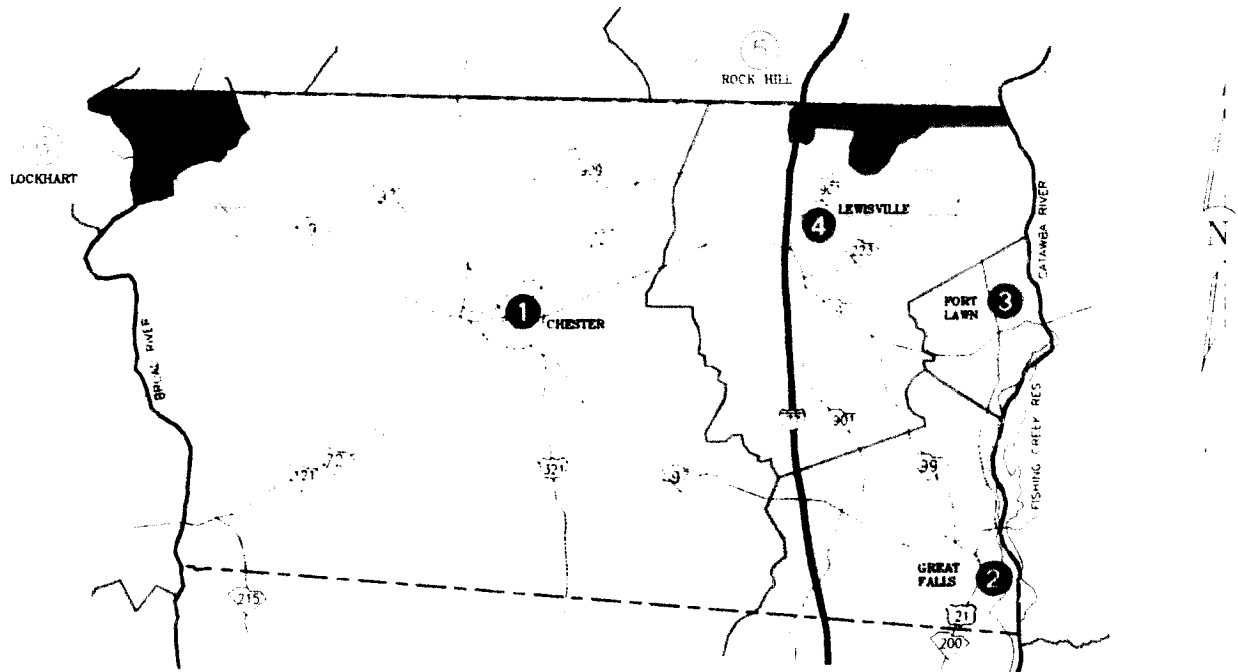
# TELEPHONE SWITCHING NETWORK

## LANCASTER COUNTY, SOUTH CAROLINA







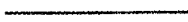




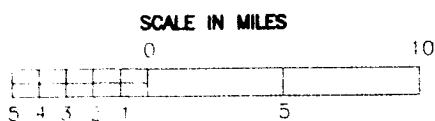
# TELECOMMUNICATIONS

## INFRASTRUCTURE



### LEGEND

-  CHESTER TELEPHONE CO.
-  LOCKHART TELEPHONE CO.
-  LANCASTER TELEPHONE CO.
-  ROCK HILL TELEPHONE CO.
-  RIVERS
-  COUNTY LINE
-  CENTRAL OFFICE SERVING AREA BOUNDRIES
-  CENTRAL OFFICE LOCATIONS IN THIS COUNTY
-  OTHER CENTRAL OFFICE LOCATIONS SERVING THIS COUNTY



OCTOBER, 1995

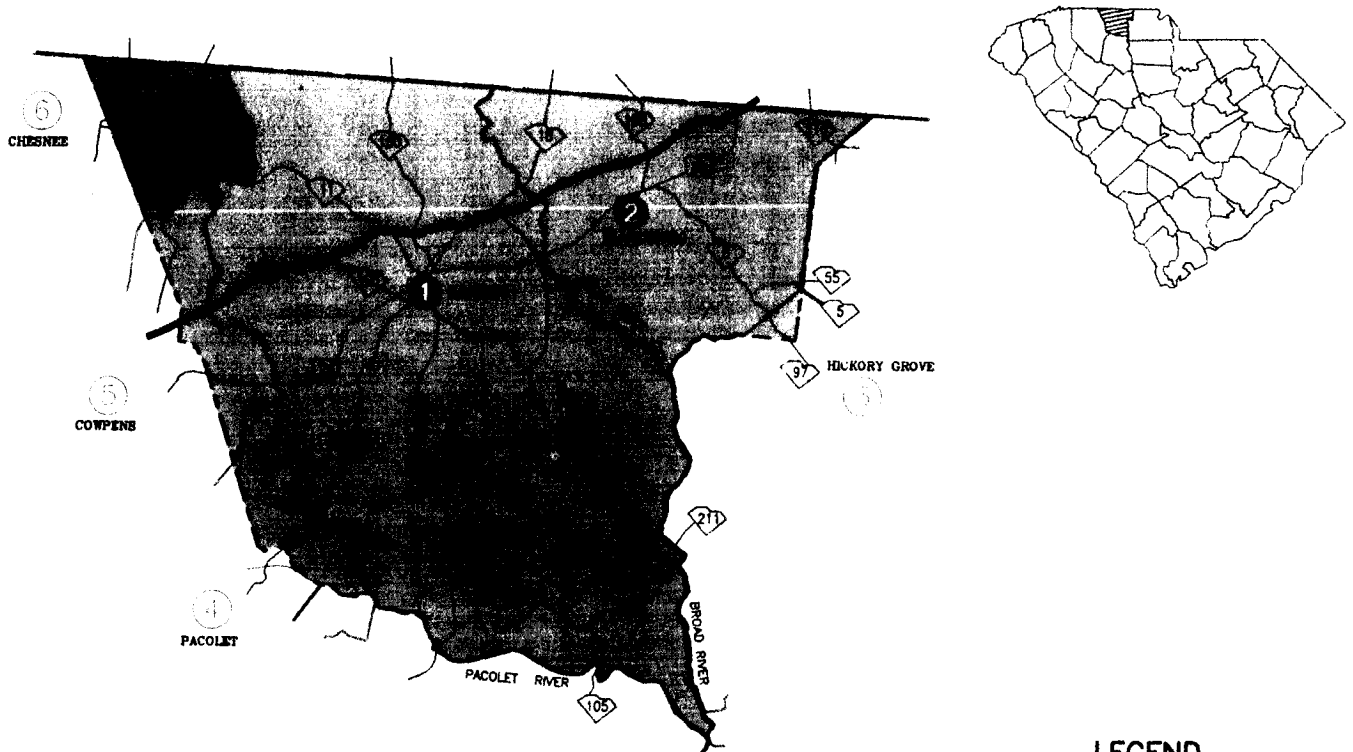
NOTE: MANY AREAS ARE SERVED BY CENTRAL OFFICE BUILDINGS LOCATED IN ADJACENT COUNTIES.

# TELEPHONE SWITCHING NETWORK

## CHESTER COUNTY, SOUTH CAROLINA

# TELECOMMUNICATIONS

## INFRASTRUCTURE



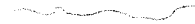
### LEGEND



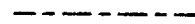
BellSouth



CHESNEE  
TELEPHONE CO.



RIVERS



COUNTY LINE



STATE LINE



CENTRAL OFFICE SERVING  
AREA BOUNDARIES

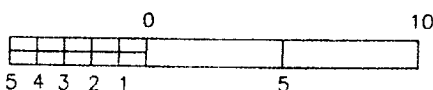


CENTRAL OFFICE  
LOCATIONS IN THIS COUNTY



OTHER CENTRAL OFFICE  
LOCATIONS SERVING THIS  
COUNTY

SCALE IN MILES



OCTOBER, 1995

NOTE: MANY AREAS ARE SERVED BY  
CENTRAL OFFICE BUILDINGS LOCATED IN  
ADJACENT COUNTIES.

# TELEPHONE SWITCHING NETWORK

## CHEROKEE COUNTY, SOUTH CAROLINA

# **EXHIBIT 2**



James A. Thompson  
Director - Regulatory

Room 5540  
1600 Williams Street  
PO Box 752  
Columbia, South Carolina 29202-0752  
803-401-2215  
FAX 803-785-9748

10/24/05

Mr. Jim McDaniel  
Program Manager - Telecommunications  
Office of Regulatory Staff  
State of South Carolina  
Columbia, South Carolina

RE: Docket Number 2005-241- C (York Countywide Calling)  
(REVISED)

Dear Mr. McDaniel:

Pursuant to your request for Community of Interest and cost data associated with the possible implementation of York countywide calling, BellSouth provides the following:

BellSouth exchanges in York County - Clover, Hickory Grove, Lake Wylie, Lake Wylie West, Sharon, and York

Toll routes affected by countywide calling:

- Clover to Hickory Grove, Sharon, Fort Mill, and Rock Hill
- Hickory Grove to Clover, Lake Wylie, Lake Wylie West, Fort Mill, and Rock Hill
- Lake Wylie to Hickory Grove, Sharon, Fort Mill, and Rock Hill
- Lake Wylie West to Hickory Grove, Sharon, Fort Mill, and Rock Hill
- Sharon to Clover, Lake Wylie, Lake Wylie West, Fort Mill, and Rock Hill
- York to Fort Mill

Annual BST revenue loss - \$320,910

Revenue loss from conversion from Area Plus, MTS, and other optional calling plans

Residence -	\$216,181
Business -	\$ 16,666
Revenue loss from Access -	\$ 88,063

Monthly minutes of usage – 19,747

Monthly access minutes of usage – 366,929

Total Flat Rate lines – 43,980

Residential – 37,144

Business – 6,836

Total Area Plus® Lines –

Clover – 923

Hickory Grove – 216

Lake Wylie – 332

Lake Wylie West – 182

Sharon – 212

York – 838

Total – 2703

- Of the 2703 customers, our assumptions based upon past experience are that 570 would convert from Area Plus® to a 1FR or other service arrangement. This revenue impact has been included in the above figures.

The above information leads to the following conclusions:

1. There are 41,277 flat rate BST lines in York County, and they use only 19,747 MTS MOU's monthly, or 0.48 minutes (less than ½ minute) per line per month. In the "old world" this would truly be indicative of an extremely low Community of Interest.
2. Total Minutes of Usage involving MTS calls are only 5% of the volume of all non-local traffic. Access MOU's are 95% of the volume, showing that the calls are being made using other carriers, such as an IXC or a wireless carrier, perhaps with an Unlimited Long Distance Plan.
3. Each customer's bill would need to be increased approximately \$0.60 each month to recover the \$320,910 annual revenue reduction that would result from this change. [This is calculated by dividing \$320,910 by 44,550 lines (43,980 + 570) and then dividing this by 12.]

The previous facts are explained by the following:

**BellSouth currently provides its customers many local calling options from which to choose.**

- Flat Rate:
  - Residence Area Plus Service (local + unlimited intraLATA calls) (GSST A3.2.3)

- Business Plus Service-Option 1 (local+ unlimited intraLATA toll calls) (GSST A3.43)
- Business Plus Service- Option 2 (local+ reduced rate for intraLATA toll calls) (GSST A3.43)
- BellSouth Toll Plans:
  - Residence Easy Calling Plan (intraLATA toll plan) (GSST A18.18)
  - Residence and Business Saver Service-Discount Plan (intraLATA toll discount) (GSST A18.13)
  - Residence and Business Saver Service-Budgeting Plan (intraLATA toll block of time) (GSST A18.13)
  - Residence Custom Rate Plan (intraLATA toll plan) (GSST A18.21)
- BellSouth Long Distance Toll Plans:
  - Nickel Plan (intraLATA and interLATA)
  - Unlimited Plan (intraLATA and interLATA)

**Consumers have many additional CLEC and wireless local calling options available to them. The availability of plans is not an issue.**

- CLECs offer numerous options for local calling that could cover an entire county.
- Wireless carriers provide multiple local calling options also.
  - FCC's 10th Annual CMRS reports that 97 percent of the total U.S. population lives in a county with access to 3 or more different operators offering mobile telephone service and 93% have access to 4 or more carriers. The report also notes that 62% of the US population has wireless phone service and 90% of the population between ages 20 and 49. (FCC News Release 9/30/2004)
- Geographic coverage of available wireless and wireline plans negate the need for expanding the number of local calling options.
- New technologies are also increasing local calling options – VoIP.

**Consumers seem to be choosing nationwide calling plans.**

- Demand for BellSouth's local calling plans (Area Plus®, etc.) has dropped significantly (approx. 46%) and have far outpaced line loss (approx. 12%). As a % of lines, demand for local calling plans has dropped from 14% to 9%.
- Customers seem to be choosing unlimited local/LD bundles whether through their chosen wireless, wireline telephone or cable company

- Subscription for BellSouth's unlimited local and long distance bundle is growing
- Consumers like the simplicity of these plans.

**For these reasons and the following discussion, there is no need to prescribe expansion of local calling plans in York County.**

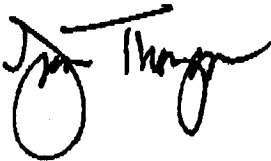
- As indicated above, the competitive marketplace is bringing customers multiple local (wireline, wireless, cable and VoIP) calling options.
  - In fact a recent local newspaper article discussed a new VoIP offer in York County. Unfortunately in so doing it confused the issue. The newspaper story said Clover customers are the only ones not able to call Rock Hill toll free. This is not accurate and was based upon the fact that Comporium's Cable affiliate just announced a VoIP offer that provides a larger free calling area. Comporium serves all the towns in Western York County except Clover which is served by Time Warner. Apparently, Time Warner does not yet offer VoIP in Clover. However Comporium's VoIP service is just another competitive offer that is available as an option for some York county residents. In the same manner, all BellSouth customers have the option to select Area Plus and have free local calling not just across the county, but across the entire LATA.
- Experience has proven that the majority of customers do not wish to have even a relatively small increase in their basic local rates so that they may call a distant city (EAS). We believe the same would be true for county-wide calling. Many already use the alternatives listed above if they need expanded local calling. Others just do not have sufficient need to justify the monthly increase in local billing. Therefore, we do not believe there is a need to go to the considerable expense of balloting all the customers in the county (which would also be charged to the customers) only to learn that the majority do not desire the change.
- Calculating the financial impact of countywide calling is more complex than in the years when BellSouth was the monopoly provider in its territory. Previously, BellSouth would have been the only company in its territory to realize a financial reduction in long distance revenue from expanding the area for free local calling. Now many companies provide long distance calling inside the LATA and thus inside the county.
- Implementing county-wide calling would be complex and involve issues beyond the loss of long distance revenue. These expenses have not yet been quantified. The key issue is the following.
  - The boundaries for BellSouth's wire centers and exchanges do not follow county lines. Customers on the edge of a county may be served by a central office in the adjacent county. If countywide calling were

implemented using current network arrangements, these customers might acquire free local calling in the wrong county. Thus without some extraordinary and expensive rearrangements, they would still not be able to call everywhere in their home county for free. This greatly increases the cost and complexity of establishing county-wide calling.

In conclusion, we believe the data and the discussion outlined above indicate that there is not a strong customer demand for or need for "free" countywide calling in York County. Thus it would be inappropriate to undergo the considerable expense of balloting all the county residents only to learn the majority do not wish to implement such a change.

Thank you for the opportunity to provide our input. We would be pleased to answer any questions you may have concerning this matter.

Yours truly,

A handwritten signature in black ink, appearing to read "Jim Thayer". The signature is fluid and cursive, with a large loop at the end of the last name.



# **EXHIBIT 3**

**MCNAIR LAW FIRM, P.A.**  
ATTORNEYS AND COUNSELORS AT LAW

[www.mcnair.net](http://www.mcnair.net)

THE TOWER AT 1301 GERVAIS  
1301 GERVAIS STREET  
COLUMBIA, SOUTH CAROLINA 29201

POST OFFICE BOX 11390  
COLUMBIA, SOUTH CAROLINA 29211  
TELEPHONE (803) 799-9800  
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January 30, 2006

James M. McDaniel  
Program Manager, Telecommunications  
South Carolina Office of Regulatory Staff  
Post Office Box 11253  
Columbia, South Carolina 29211

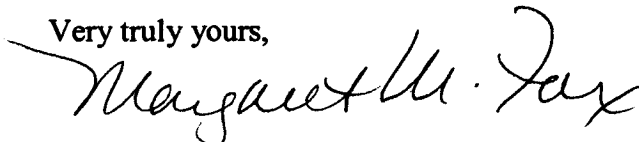
RE: Request for Extended Area Service in York County  
Docket No. 2005-241-C

Dear Jim:

As we have discussed, enclosed for filing on behalf of the Comporium Companies please find updated cost information regarding extended area service in York County. Comporium has updated its previously-filed information to include additional costs that have been identified, including the estimated cost of additional facilities, and nonrecurring and recurring costs associated with developing and maintaining a database to implement county-wide calling. Also included as back-up information is a description of how the Calls Database costs were developed. Please note that the Calls Database Development information is proprietary and has been stamped "Confidential."

Please let me know if you have any questions or if we can provide anything further.

Very truly yours,



Margaret M. Fox

MMF:rwm  
Enclosures

cc: Matthew L. Dosch

## **Comporium Comments - York County-Wide Calling January 30, 2006**

*While a few customers would potentially enjoy the benefits of county-wide calling and would like to spread the cost of such calling across the entire base of subscribers, Comporium Communications does not believe that county-wide calling is practical or warranted, for the reasons set forth in detail below.*

- Comporium customers have numerous calling options already available to them that allow them to select a calling plan that best suits their needs. The pricing of these plans ranges from no additional cost (for EAS between Rock Hill and Fort Mill and between York and Rock Hill), to various pricing options for Area Calling Plans, to \$ 29.95 for unlimited nationwide long distance calling. A detailed listing of available expanded calling options for Comporium customers is provided in Attachment 1.
- Current expanded calling plans are popular and available from many sources in the marketplace.
  - Customers currently have several choices (wireline, wireless, etc.) for expanding their basic local calling areas.
  - Customer demand for Comporium's unlimited long distance plan has grown significantly since implementation in late 2004.
  - Industry experience has shown that the majority of customers often do not wish to increase their local rates to receive calling to distant cities outside their community of interest.
- Telephone company boundaries generally do not match county line boundaries, and communities of interest vary among companies. Comporium is no different, and the communities of interest vary within the two Comporium companies serving York County.
  - On the southern end of Rock Hill Telephone Company's operating area, there are 620 subscribers located in Chester County. The subscribers perceived community of interest is Chester County and the city of Rock Hill. However, these subscribers are likely to have

little interest in a mandatory local rate increase for calling to western York County. On the eastern end of Fort Mill Telephone Company's serving area, there are 6,084 subscribers located in Lancaster County. The perceived community of interest for these subscribers is Lancaster County and the cities of Fort Mill and Rock Hill. Again these customers are unlikely to have interest in county-wide calling to western York County. Absent some extraordinary and expensive network modifications, the customers described above would be required to pay for free calling to all of York County even though they reside in adjacent counties.

- Alternatively, denying countywide calling to pockets of customers within the same company exchange located in an adjacent county would present significant technological challenges and create customer confusion.
- Administrative costs will increase with no apparent benefit to the subscriber. The aforementioned 6,000+ subscribers in the eastern portion of Fort Mill located in Lancaster County would either receive countywide calling for York County if implemented, or every current and future Fort Mill customer would have to be identified by location and assigned the appropriate county-specific calling plan in the switch.
- BellSouth would have the same hurdles in providing extended service to **their** subscribers located in individual exchanges covering York and adjacent counties.
- The financial impact numbers shown in Attachment 2 are for the Comporium companies only. Total cost estimates to implement county-wide calling would require coordinated studies not only with BellSouth, but with ***all other carriers (both CLEC and IXC) serving York County***. As can be seen from the financial impact numbers in Attachment 2, the largest financial impact among the Comporium companies would be on Comporium's long distance carrier. There are likely to be similar significant adverse financial impacts on all other interexchange carriers serving York County. CLD and other IXCs would not be able to recover their losses through EAS charges.
- The financial impact numbers shown in Attachment 2 also do not include the cost of additional trunks and facilities that Rock Hill and Fort Mill would need to add in order to handle the traffic that would be shifted from interexchange carrier networks (other than CLD) to local facilities. Comporium cannot quantify this impact without knowing the volume of traffic carried by those IXCs.
- Basic local rate increases would be required to make any expansions in calling areas. Current marketplace options provide higher benefits and more flexibility to customers than a one-size-fits-all mandated countywide calling plan.

**ATTACHMENT 1**  
**COMPORIUM EXPANDED SERVICE OFFERINGS**

- **Flat Rate Plans:**

- Two way extended area service (EAS) arrangements exist between Rock Hill and Fort Mill and between York and Rock Hill.
- Residence Area Calling Plan Option 2 – (local + unlimited IntraLATA toll calls) Subscriber Services Tariff Section 3.01.B.1.a.
- Residence Unlimited Plan (Offered with long distance plan to provide nationwide calling) Subscriber Tariff Section 3.01.B.1.b.

- **Usage-Based Plans:**

- Residence Area Calling Plan – Option 1 (local + reduced rate for IntraLATA toll calls) Subscriber Services Tariff Section 3.01.A.1.a.
- Residence Area Calling Plan – Option 3 (local + 20% reduced rate for intrastate IntraLATA toll calls) Subscriber Services Tariff Section 3.01.C.1.a.
- Residence Area Calling Plan – Option 4 (local + 50% reduced rate for intrastate IntraLATA toll calls) Subscriber Services Tariff Section 3.01.D.1.a.
- Business Area Calling Plan – Option 1 (local + reduced rate for IntraLATA Toll calls) Subscriber Services Tariffs Section 3.01.A.1.b.
- Business Area Calling Plan – Option 3 (local + 20% reduced rate for intrastate IntraLATA toll calls) Subscriber Services Tariff Section 3.01.C.1.b.
- Business Area Calling Plan – Option 4 (local + 25% reduced rate for intrastate IntraLATA toll calls) Subscriber Services Tariff Section 3.01.D.1.b.

- **Comporium Long Distance Toll Plans:**
  - **Residence Unlimited Plan (Intrastate and interstate at one flat rate)**
  - **Residence Easy Talk Plans (Block of Time Intrastate and interstate)**
  - **Residence Better Plan (Flat Rate + Reduced minute of use charges)**
  - **Residence Simple Advantage Plan – (Minute of use charge for 35 mile radius) This plan has no monthly minimum charge for low usage subscribers.**
  - **Business Advantage Plans (Rates vary based on term length)**

**ATTACHMENT 2**  
**ESTIMATED FINANCIAL IMPACT**  
**ON COMPORIUM COMPANIES**  
Revised January 30, 2006

- **Estimate of annual financial impact – Comporium York County.**

○ Access Revenues Lost	\$56,000
○ Telephone Company Toll Revenues Lost	\$28,000
○ CLD Annual Recurring Revenues Lost	\$200,000
○ Cost of Additional EAS Trunks & Setup in the Switch	\$241,000
○ Cost of Maintenance and Administration of Call Database	\$24,000
<b>Total</b>	<b>\$549,000</b>

- **Estimate of annual financial impact by specific Comporium entity.**

○ <u>Rock Hill Telephone Company</u>	
▪ Access Charges Annual Recurring Revenue Loss	\$34,000
▪ Rock Hill Telco Toll Annual Recurring Loss	\$15,000
▪ Rock Hill Additional EAS Trunks Cost	\$101,000
▪ Cost of Maint. & Admin. of Calls Database	\$24,000
• Total	\$174,000
○ <u>Fort Mill Telephone Company</u>	
▪ Access Charges Annual Recurring Revenue Loss	\$22,000
▪ Fort Mill Telco Toll Annual Recurring Loss	\$13,000
▪ Fort Mill Additional EAS Trunks Cost	\$141,000
• Total	\$176,000
○ <u>Comporium Long Distance (CLD)</u>	
▪ Annual Recurring Revenue Loss	\$200,000

<b>Total Identified York County Annual Recurring Cost</b>	<b>\$549,000</b>
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<b>Total Nonrecurring Revenue Impact (See Att. 3)</b>	<b>\$92,134</b>
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Note: Financial impact estimate is for Comporium companies only. Total cost estimates to implement county-wide calling would require coordinated studies not only with BellSouth, but with *all other carriers (both CLEC and IXC) serving York County.*

**ATTACHMENT 3**  
**TOTAL NONRECURRING REVENUE IMPACT**  
**ON COMPORIUM COMPANIES**  
January 30, 2006

Comporium Data Services Charges				\$ 1,080.00
Access Order Charge per T1	(21 T1s)		\$ 104.00	\$ 2,184.00
<u>Switch Engineering</u>				
Change Translations for Fort Mill Customers for York County calling		8 Hours @	\$ 70.00	\$ 560.00
		Hours per T1	Rate / Hour	
Work Order Preparation	(21 T1s)	2	\$ 70.00	\$ 2,940.00
Set up trunks per T1	(21 T1s)	0.25	\$ 70.00	\$ 367.50
Build trunk group per trunk group	(21 T1s)	1	\$ 70.00	\$ 1,470.00
<u>Network</u>				
Wiring & Testing of trunks per T1	(21 T1s)	2	\$ 42.28	\$ 1,775.76
<u>Circuit Engineering</u>				
Trunk Assignment per T1	(21 T1s)	0.25	\$ 70.00	\$ 367.50
<b>Cost of additional EAS Trunks &amp; Setup in the Switch</b>				
<u>Tariff Rate Basis</u>				
	Trunks	T1s	Monthly Revenue Requirement / T1	
Fort Mill to York Group	252	*	11	429 \$ 4,719
Rock Hill to York Group	240	*	10	429 \$ 4,290
<b>Cost of York County Calls Database Development &amp; Implementation</b>				\$ 72,380
<b>York County Total Annual Revenue Impact - Nonrecurring</b>				\$ 92,134

\* Trunks were increased by 20% to accommodate stimulated usage.



# **Calls Database Development**

January 30, 2006